



United States Department of State

Washington, D.C. 20520

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November 14, 1983

Senior Interagency Group No. 3

PARTICIPANTS: SIG Principals
Mr. William Fishman, International Satellite,
Inc.

DATE & TIME: September 29, 1983 - 2:00 p.m.

PLACE: Room 7219, Department of State

SUBJECT: Briefing for the SIG on International
Communications and Information Policy

Mr. William Fishman, representing International Satellite, Inc. (ISI), briefed SIG members on ISI's proposal, now before the FCC, to provide a satellite link between the continental U.S. and Western Europe, as follows:

Description of Owners

The principal investor (43% of stock) in ISI is TRT, an international record carrier. Another investor is Kansas City Southern Industries, a railroad which is diversifying into communications.

Public Interest Benefits of the Proposal

1. Price and rate competition - Comsat continues to earn a higher rate of return than is authorized by the FCC. Competition will provide dramatic and immediate rate reductions.
2. Access to space segment - The FCC is seeking to open the INTELSAT space segment to other carriers. If ISI obtains access to the space segment, it would make it available to any carrier, including Comsat.
3. Creates new markets and services - INTELSAT has functioned as a monopoly supplier. It has exhibited a lack of creativity in marketing satellite capability. ISI wants to serve video distribution, high speed data and teleconferencing markets. There is an interest in U.S. video products in Europe. ISI would also provide a direct link between the producer and receiver of a product.

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4. ISI is asking for two slots - 56 and 58 degrees W which can see the continental U.S. and most of Western Europe.

5. ISI will contribute to U.S. national security by providing redundancy and a diversity of commercial facilities. It will permit DOD to have point-to-point capability.

Policy Issues as Seen by ISI

1. Satellite Act - does the ISI proposal comply with its provisions? ISI says yes, that the Act permits the U.S. to approve additional satellite systems. At the time the Act was passed, no one conceived of INTELSAT. Rather, the intent was that the United States, through Comsat, would engage in bilaterals to initiate international service.

The Act speaks of helping developing countries and ISI proposes a free transponder for the UN. This has a value of \$10-15 million.

2. INTELSAT Agreement; Article XIV(d) - ISI asserts the Agreement commits countries to present their plans to INTELSAT, and permits INTELSAT to voice its opinion on whether the proposals would cause significant economic harm, but that no state agreed to be bound by the INTELSAT view. Fishman passed out an article by former State Department Legal Adviser Abraham Cheyes, which characterizes the INTELSAT coordination process as a "loose, recommendatory review." Fishman also noted that U.S. launch policy states that the U.S. reserved the right to launch a satellite even if INTELSAT determined it would cause economic harm.

Fishman noted that ISI had addressed the "significant economic harm" issue in its petition, and had concluded that ISI would take away only slightly over 3% of INTELSAT's revenues over seven years, amounting to 2-3 weeks of INTELSAT's growth over the period, since INTELSAT is growing at 15-20% per year.

Fishman noted that ISI will forego, for an undetermined period of time, AT&T-generated switched telephone service. Fishman stated that AT&T's service on the North Atlantic accounts for 85% of INTELSAT's revenues.

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Fishman asserted that even the "threat" of competition was having a salutary effect on INTELSAT, noting that INTELSAT has decided to provide 1/4 transponder to the UN.

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